

# Seized Mutual Savings plots comeback with new leaders

BY LAUREN B. COOPER | STAFF

Mutual Savings Credit Union said it's been fighting its way back into the black after being taken over last summer by the Alabama Credit Union Administration.

In July, the credit union was placed in conservatorship by the ACUA after a number of failed loans and other losses, then former executives sued to halt the takeover and reclaim their positions.

Since that turmoil, which included reporting losses of nearly \$5 million in 2009, the credit union with \$186 million in assets and roughly 41,000 members anticipates ending the first quarter of 2010 with a profit, said newly appointed CEO Doug Key.

"The economy has made an upswing and we've made money for the first two months of the year and we anticipate the same for March," he said.

Key said after the ACUA took over, the credit union closed two branches, consolidated a handful of positions and cut \$1.1 million from its budget. Conservatorship is likely to last through the middle of this year and the ACUA currently is reseating a new board.

A month after the ACUA took over, executives of the credit union, including ousted CEO Dale Dalbey, filed suit against the organization claiming the ACUA's takeover coincided with the credit union applying to become a nationally chartered credit union, according to court documents. As a nationally chartered credit union, it would no longer be under the regulatory control of the ACUA. Two weeks after the application was filed, the ACUA took over.

The parties settled the suit earlier this year and terms of the settlement were not disclosed. ACUA CEO Glenn Latham did not return phone calls in time for press.

Mutual Savings is headquartered on Valleydale Road and has locations on Bessemer Super Highway, Pelham Parkway and Chalkville Mountain Road and in Alexander City, Calera, Clanton and Selma. It was founded 74 years ago to serve employees of Tennessee Coal Iron and Railroad Co., which was later acquired by U.S. Steel. It still serves those employees and

employees of other member companies across the city. It currently has about 80 employees.

Key, a local attorney that has represented Mutual Savings for years and was appointed CEO in October, said the credit union is no longer making loans to businesses and has adopted a purely consumer-lending strategy.

He attributes that strategy and a better economic environment than last year to the credit union's potential first quarter profit. Net income for the first two months of this year were \$275,000, he said.

However, last year's troubles are still looming, with bank rating agency Bauer Financial giving the credit union a zero rating, based on fourth quarter data.

"It's a better economic environment this year," said Key. "Loan quality has remained the same and we're preventing huge loses so far. The reduction in expenses is paying dividends."

Only two credit unions in Alabama and Florida were taken over last year, a year that saw 130 bank failures nationwide, said Patrick La Pine, president of the League of Southeastern Credit Unions, which represents credit unions in Alabama and Florida.

La Pine said credit unions have been able to pick up where banks have dropped off, with Alabama credit unions adding more than 62,000 new members last year. During the real estate boom, credit unions took a more conservative stance, driven mainly by higher regulatory burdens and a member-owned business model, he said.

"When you have a credit union fail, we all pay for that," said La Pine. "We don't go to the taxpayers, the credit unions pay for it."

Moving forward, Key said Mutual Savings will continue to control its expenses and implement the few suggestions regulators had from a recent visit, mainly dealing with in-house policies.

"We want to be back where we are leaders in the credit union industry," said Key.

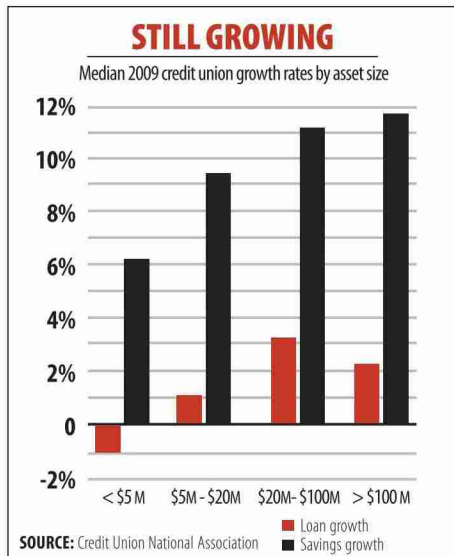
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**Mutual Savings Credit Union CEO Doug Key says the institution has returned to profitability.**



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